THE MINERAL INDUSTRY OF SRI LANKA

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Sri Lanka's economy performed strongly in 2003 with a growth of 5.5% in the gross domestic product (GDP). Expansion in the manufacturing sector, telecommunications, tourism, and trade, and a record harvest of rice crops contributed to the increase. The service sector accounted for 54% of the GDP; agriculture, 20.1%; manufacturing, 16%; construction, 7.4%; and mining and quarrying, 1.8%. Owing to the Government's program of privatization and deregulation, the country received $300 million in foreign investment, which was an increase of 24% compared with that of 2002. Countries that invested in Sri Lanka included Australia, India, Malaysia and other Southeast Asian countries, and the United States. Indian companies showed interest in Sri Lanka's potential as a manufacturing base and as a new source of manpower (Far Eastern Economic Review, 2003).

Sri Lanka is endowed with industrial mineral resources that include apatite, calcite, clay, dolomite, feldspar, graphite, ilmenite, kaolin, mica, quartz, rutile, silica sand, and zircon. Graphite and mineral sands (mostly monazite) were mainly exported. The country also exported geuda (pale white or colorless sapphire), loose gemstones, and jewelry. The Government owned apatite, graphite, and mineral sand mines; the remainder of the country's mines were owned and operated by the private sector. The country had almost no metal or mineral fuel resources.

The Geological Survey and Mines Bureau was responsible for identifying and assessing the country's mineral resources; undertaking systematic geologic mapping; evaluating the commercial viability of mining, processing, and exporting minerals; and regulating the mineral industry through the issuance or withdrawal of licenses.

The Government initiated a project to encourage expansion in the gemstone industry by opening up new lands in central Sri Lanka to sapphire mining. Traditional mining fields were located 100 kilometers southeast of Colombo in the area of Ratnapura. The plantation owners allowed the Government to manage their lands and to auction the mining rights leases for 1 year. In exchange, the plantation owners received 40% of the auction proceeds and 50% of the declared profits from the sale of gems mined on their lands. Miners looked for alluvial gravel; if nothing was found or a pit mine stopped producing gem-bearing gravel, the miners were responsible for recovering and replanting the disturbed areas.

In addition to opening up new areas for mining, the Government and the gemstone industry sought to encourage experimentation in heat-treatment technology as part of the industry's 5-year growth plan. In the heat-treatment process, pale white or colorless sapphires are heated to a fine blue color before being cut and polished. Cutters and polishers concentrated on the bigger single stones of 3 carats or more in size and preferred the local gems. As a result of these new initiatives, Sri Lanka's total production of sapphire was up by 124% in 2003. The gemstone industry employed 400,000 to 500,000 people in total (Colored Stone, 2003).

The ceramics industry was the largest mineral-based sector in Sri Lanka. The country had substantial deposits of alluvial clay, ball clay, bloating clay, china clay, clay ochre, kaolin, nonbauxite clay, and shale. The Government sought to exploit the export market for ceramics used in electronic goods and roof tiles and to achieve an annual growth rate of 5% for the industry. To boost clay production and identify additional clay reserves, the industry hoped to locate new good-quality feldspar and kaolin deposits. No new ball clay deposits had been identified in the recent past. Clay reserves that were being mined at Boralesgamuwa and Meetiyagoda were expected to run out during the next 2 to 3 years. Reserves of quartz were estimated to be adequate at more than 20 million metric tons (Industrial Minerals, 2003).

The parliament approved the Petroleum Resources Bill, which allowed the private sector to invest in oil and gas exploration, to exploit petroleum resources, and to share profits with foreign and local companies. A committee will be established to issue licenses to prospective investors for exploration and recovery of oil and gas (Rig Zone, 2003§[1]).

Sri Lanka imported all its oil requirements; some of the oil was refined by state-run Ceylon Petroleum Corp. (Ceypetco), which had a refining capacity of 50,000 barrels per day. The country imported 15.4 million barrels (Mbbl) of crude oil and 14.3 Mbbl of petroleum products in 2003. The Government looked for an oil company to operate 100 gas stations; this company would share the market with Indian Oil Corp. (IOC) and Ceypetco. PetroChina, Petronas of Malaysia, and four Indian oil companies showed interest. The Government selected IOC, and the company took over the 100 gas stations for $62 million early in 2003 (World Refining, 2003).

References Cited

Colored Stone, 2003, Sri Lanka expands sapphire digging: Colored Stone, v. 16, no. 1, January/February, p. 74.
Far Eastern Economic Review, 2003, Sea change: Far Eastern Economic Review, v. 166, no. 42, October 23, p. 51.
Industrial Minerals, 2003, Sri Lanka—Ceramics boom boosts mineral demand: Industrial Minerals, no. 424, January, p. 54.
World Refining, 2003, Indian firms interested in Sri Lanka oil company: World Refining, v. 13, no. 8, October, p. 26.

Internet Reference Cited

Rig Zone, 2003 (July 9), Sri Lanka approves private sector oil, gas exploration, accessed July 11, 2003, at URL http://www.rigzone.com/news/article.asp?a_id=7338.

[1] A reference that includes a section mark (§) is found in the Internet Reference Cited section.

Major Sources of Information

Ceylon Petroleum Corp.
P.O. Box 634
113 Galle Road
Colombo 3, Sri Lanka
Geological Survey and Mines Bureau
4 Galle Road
Dehiwala, Sri Lanka
Lanka Ceramic Ltd.
Colombo, Sri Lanka
State Gem Corp.
Colombo, Sri Lanka
State Mining and Mineral Development Corp.
Colombo, Sri Lanka

TABLE 1
SRI LANKA: PRODUCTION OF MINERAL COMMODITIES [1, 2]

(Metric tons unless otherwise specified)

Commodity[3]		1999	2000	2001	2002	2003
Cement, hydraulic	thousand tons	976	1,008	1,108	1,018	1,164
Clays:						
Ball clay		26,678	27,525	24,846	28,431	33,405
Kaolin		12,573	12,230	9,403	8,613	9,073
Brick and tile clay[e]		8,100	8,100	8,000	8,000	8,000
Clays for cement manufacture[e]		750	800	850	850	900
Feldspar, crude and ground		26,012	28,638	27,438	28,866	32,586
Gemstones, precious and semiprecious, other than diamond:	value, thousands	$33,217	$71,774	$57,530	$54,604	$96,797
Cats eye	carats	48,384	48,000	NA	36,891 [r]	45,228
Ruby	do.	11,300	15,800	NA	23,000 [r]	12,934
Star ruby	do.	11,600	5,400	NA	NA	NA
Sapphire	do.	155,400	173,700	NA	344,900 [r]	773,547
Star sapphire	do.	298,400	280,500	NA	NA	NA
Other	do.	12,429,800	6,426,300	NA	4,110,400 [r]	1,828,400
Graphite, all grades		4,592	5,902	6,585	3,619	3,387
Iron and steel, metal, semimanufactures[e]		54,000	54,000	51,000	50,000	50,000
Mica, scrap		1,425	1,491	1,161	1,161	1,174
Petroleum refinery products:[e]						
Gasoline	thousand 42-gallon barrels	1,950	2,000	2,000	2,100	2,100
Jet fuel	do.	500	550	600	600	650
Kerosene	do.	1,500	1,550	1,500	1,500	1,500
Distillate fuel oil	do.	4,600	4,700	4,800	4,900	5,000
Residual fuel oil	do.	5,300	5,300	5,200	5,200	5,200
Refinery fuel and losses	do.	720	700	680	700	710
Other	do.	1,900	1,950	2,000	2,000	2,050
Total	do.	16,500	16,800	16,800	17,000	17,200
Phosphate rock, gross weight		31,990	34,443	35,440	38,775	41,357
Rare-earth metals, monazite concentrate, gross weight[e]		200	--	--	--	--
Salt		107,245	70,107	130,272	73,274 [r]	78,713
Stone:						
Limestone	thousand tons	683	682	819	848	991
Quartz, massive		14,553	13,236	15,731	7,857	18,139

[e]Estimated. [r]Revised. NA Not available. -- Zero.

[1]Table includes data available through September 16, 2004.

[2]Estimated data are rounded to no more than three significant digits; may not add to totals shown.

[3]In addition to the commodities listed, crude construction materials, such as sand and gravel, and varieties of stone presumably are produced, but available information is inadequate to make reliable estimates of output levels.